public accounts 1989-90

volume 3 — summary financial statements

Manitoba Finance

for the year ended March 31, 1990

91-03815/

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 1990 consists of three volumes:

VOLUME 1 contains the Financial Statements of the Consolidated Fund of the Province and schedules of supporting information.

VOLUME 2 is a supplementary volume which contains further details of the expenditures by standard expenditure object codes. It also provides details of the salaries and wages paid to employees as well as payments to corporations, firms, individuals, other Governments and Government Agencies.

VOLUME 3 contains the Summary Financial Statements of the Province. The intent of these statements is that they will reflect the consolidation of the financial operations of all organizations integral to the overall operations of Government in performing its executive function. At this time, the operations of special funds, the significant Crown organizations and all Government enterprises, as referenced below, are consolidated with those of the Operating Fund.

While the resulting consolidation represents the Government Reporting Entity in all material respects, there remains several operations with a lesser dollar impact which have yet to be consolidated. The Department of Finance is working to include the financial operations of these organizations in future Summary Financial Statements.

CONTENTS OF VOLUME 3 - SUMMARY FINANCIAL STATEMENTS

Special Funds:

- -Fires Prevention Fund
- -Fiscal Stabilization Fund
- -Holdbacks: Builders' Liens and Contractual
- -Land Titles Assurance Fund
- -Mining Community Reserve
- -Veterinary Science Scholarship Fund
- -Victims Assistance Fund

Crown Organizations:

- -Alcoholism Foundation Of Manitoba
- -Legal Aid Services Society of Manitoba
- -Manitoba Agricultural Credit Corporation
- -Manitoba Arts Council
- -Manitoba Cancer Treatment and Research Foundation
- -Manitoba Health Services Commission
- -Manitoba Lotteries Foundation:
  - Amateur Sport
  - Community Places
  - Culture, Heritage and Recreation
  - Fitness Development
  - Multicultural Grants Advisory Council
  - Planning and Research
  - Special Health Projects
- -Manitoba Housing and Renewal Corporation
- -Manitoba Properties Inc.
  - Manitoba Properties Leasing Inc.(holding co.)
  - Manitoba Properties Management Inc.(holding co.)
- -Manitoba Research Council
- -Public Schools Finance Board
- -Universities Grants Commission

Government Enterprises:

- -A.E. McKenzie Co. Ltd.
- -Channel Area Loggers
- -Leaf Rapids Town Properties Ltd.
- -Liquor Control Commission
- -Manitoba Crop Insurance Corp.
- -Manitoba Hydro
- -Manitoba Lotteries Foundation
- -Manitoba Mineral Resources
- -Manitoba Public Insurance Corporation
- -Manitoba Telephone System
- -Manitoba Textbook Bureau
- -Manitoba Trading Corporation
- -Manitoba Water Services Board
- -Moose Lake Loggers
- -Venture Manitoba Tours
- -Workers Compensation Board

INTRODUCTION TO THE SUMMARY FINANCIAL STATEMENTS

The Summary Financial Statements of the Government of the Province of Manitoba were produced separately as Volume 3 of the Public Accounts for the first time in relation to the fiscal year ended March 31, 1988. This was the first step in the implementation of the recommendations of the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants with respect to the Government Reporting Entity. This recommendaton requires that

> "Government financial statements should consolidate the financial statements of organizations comprising the government reporting entity, except for government enterprises, which should be accounted for by the modified equity method".

The full implementation of this recommendation is a major undertaking. Full consolidation will be phased in over a 4-year period culminating with Volume 3 of the Public Accounts for 1990-91.

For 1988-89 and again in 1989-90, Volume 3 demonstrates the purpose and meaning of Manitoba's evolving Summary Financial Statements by including entities that are representative of the larger, more global financial reporting entity. Those organizations as yet unconsolidated are operations with a less significant dollar impact. These 1989-90 Summary Financial Statements therefore represent the Government Reporting Entity in all material respects.

The financial operations of other provincial special funds, Crown organizations and Government enterprises, while not consolidated, are reflected in the Summary Financial Statements to the extent described under "The Reporting Entity" in the notes to the financial statements. The Department of Finance is working to reflect the financial operations of these other organizations in future Summary Financial Statements in accordance with the recommendations of the Public Sector Accounting and Auditing Committee. A list of these organizations is disclosed in Schedule I.

Minister of Finance
March, 1991

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Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

To The Members of the Legislative Assembly of Manitoba:

Under the authority of section 14 of the Provincial Auditor's Act, we have examined the consolidated statement of financial position of the Government of the Province of Manitoba as at March 31, 1990 and the consolidated statements of revenue and expenditure and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except for the matter presented as reservation 1 regarding amounts receivable, these financial statements present information in accordance with the accounting policies of the Government Reporting Entity stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year. We also report two additional reservations. These pertain to the accounting treatment of pension liabilities and associated pension costs and the Preferred Shares of Repap Enterprises Inc. In our opinion, except for the effects of these three reservations as set out below, these financial statements present fairly the consolidated financial position of the Government of the Province of Manitoba as at March 31, 1990 and the results of its operations and changes in its financial position for the year then ended.

Reservation 1 - Recording of a Pending Amount Receivable from the Government of Canada

Recorded in the financial statements is $18.7 million in emergency disaster amounts receivable from the Government of Canada regarding a pending claim for fire suppression costs. The Governments of the Province of Manitoba and Canada are in the process of negotiating a cost sharing arrangement to cover these costs. As at March 31, 1990, cost sharing arrangements for these costs had not been finalized, the Province had not submitted a formal claim to Canada and Canada had not acknowledged this liability. As a result, realization of this amount receivable depends on future negotiations. As at March 31, 1990, the classification of the $18.7 million as an amount receivable cannot be verified. Had the $18.7 million not been recorded as an amount receivable in the financial statements, revenue would be decreased and consolidated net expenditure would be increased by $18.7 million for the year ended March 31, 1990. Also, assets would be decreased and the total excess of liabilities over assets and similar items (accumulated deficit) would be increased by $18.7 million as at March 31, 1990.

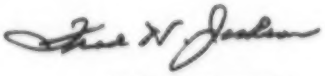
Reservation 2 - Failure to Record Pension Liabilities and Associated Pension Costs

In accordance with the accounting policy stated in note 1C2d to the financial statements, the Government Reporting Entity does not fully record its pension liabilities and the costs associated with the annual increase in the pension liabilities for pension entitlements earned by its employees, teachers and Members of the Legislative Assembly in the financial statements. Note 16 provides information on the estimated unrecorded pension liabilities. The unrecorded pension liabilities are estimated to be $1,322.3 million as at March 31, 1990. Had the pension liabilities and the costs associated with the annual increase in the pension liabilities been recorded in the financial statements, expenditure would be increased by an estimated $132.9 million, the increase in equity in government enterprises would be increased by an estimated $7.8 million and consolidated net expenditure would be increased by an estimated $125.1 million for the year ended March 31, 1990. Also, assets would be decreased by an estimated $141.6 million, liabilities and unrealized recovery would be increased by an estimated $1,180.7 million and the accumulated deficit would be increased by an estimated $1,322.3 million as at March 31, 1990.

Reservation 3 - Valuation of Preferred Shares

The preferred shares of Repap Enterprises Inc., included in the consolidated statement of financial position as other long-term investments at $77.6 million, have been recorded at their future potential redemption value. The unrealized recovery from the future redemption of the preferred shares of Repap Enterprises Inc., of $77.6 million recognizes that realization of these shares is dependent on the future profitability of Manfor Ltd., or its successor, and other conditions being fulfilled well into the future. Had the unrealized recovery been offset against the shares, assets and liabilities and unrealized recovery would be decreased by $77.6 million as at March 31, 1990.

The combined effect of the three reservations on the 1990 operations is a decrease in revenue of $18.7 million, an increase in expenditures of $132.9 million, an increase in the increase in equity in government enterprises of $7.8 million and an increase in the consolidated net expenditure of $143.8 million for the year ended March 31, 1990. Also, assets would be decreased by $237.9 million, liabilities and unrealized recovery would be increased by $1,103.1 million and the accumulated deficit would be increased by $1,341 million as at March 31, 1990.



Winnipeg, Manitoba
March 12, 1991

F. H. Jackson, CA
Provincial Auditor

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF RESPONSIBILITY

Responsibility for the integrity and objectivity of the Summary Financial Statements rests with the Government. They are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government Reporting Entity and include a consolidated statement of financial position, a consolidated statement of revenue and expenditure, a consolidated statement of changes in financial position, schedules and notes integral to the statements. Together, to the extent of the consolidation of funds, organizations and enterprises disclosed under "The Reporting Entity" in Schedule I, they present fairly, in all material respects the financial condition of the Government Reporting Entity at the fiscal period-end and results of operations for the year then ended.

On behalf of the Government

HONOURABLE CLAYTON MANNESS
Minister of Finance
March, 1991

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

SCHEDULE NO.		NOTE NO.	1990	1989
	ASSETS			
	Cash and equivalents		504	1,345
II	Amounts receivable		546	479
	Loans and advances	3	3,589	3,679
III	Equity in Government enterprises	4	107	5
	Other long-term investments	5	101	24
	TOTAL ASSETS		4,847	5,532
	LIABILITIES AND UNREALIZED RECOVERY			
	Amount owing to the Trust Fund	6	649	790
IV	Accounts payable, accrued charges, deferred revenue, deferred taxes and unrealized recovery		669	532
VI	Borrowings	7	8,470	9,225
	Provision for foreign currency fluctuation on Manitoba Hydro debt	8	266	286
	Unamortized foreign currency fluctuation	9	(12)	(111)
	TOTAL LIABILITIES		10,042	10,722
	EXCESS OF LIABILITIES OVER ASSETS AND OTHER OBLIGATIONS HELD BY THE PROVINCE CONSIDERED TO BE SIMILAR IN NATURE			
	Excess of liabilities over assets:			
	Beginning of year		5,057	5,118
	Share devaluation-Government enterprises	10	(7)	-
	Consolidated Net (Income) Expenditure		27	(61)
	End of year		5,077	5,057
	Serial debentures of school divisions and districts	11	118	133
	TOTAL EXCESS OF LIABILITIES OVER ASSETS AND SIMILIAR ITEMS		5,195	5,190

Information concerning the Government's guaranteed and indirect liabilities, financial commitments and contingent liabilities can be found in notes 12, 14 and 15.

Trust Fund assets and liabilities at March 31, 1990 were $1,464 million (1989 - $1,478 million). Further details are displayed in note 6.

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

	1990	1989
REVENUE (Schedule V)		
Tax Revenue:		
Corporation income tax	152	201
Individual income tax	1,031	1,030
Retail sales tax	622	595
Fuel taxes	191	187
Liquor commission	146	150
Levy for health and education	191	199
Other taxes	417	426
Federal transfers:		
Equalization	910	863
Health and higher education	431	426
Shared cost and other	357	315
Fees and other revenue	525	512
TOTAL REVENUE	4,973	4,904
EXPENDITURE (Schedule V)		
Health	1,533	1,447
Education and training	1,036	1,021
Family services	485	446
Economic and resource development	690	675
Assistance to local governments and taxpayers	379	365
Justice, administration and other government services	424	397
Public debt	548	481
Hydro rates stabilization	–	44
TOTAL EXPENDITURE	5,095	4,876
NET INCOME (EXPENDITURE)	(122)	28
Increase in equity in Government enterprises (Schedule III)	95	33
CONSOLIDATED NET INCOME (EXPENDITURE)	(27)	61

GOVERNMENT OF THE PROVINCE OF MANITOBA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

	1990	1989
Beginning cash and equivalents	1,345	816
Operating transactions:		
Consolidated net income (expenditure)	(27)	61
Non-cash items included in net income (expenditure):		
(Increase) in amounts receivable	(67)	(5)
Write-off/down of loans advances and long-term investments	–	8
Increase in valuation allowance charged to expenditure	1	2
Increase in accounts payable, accrued charges, deferred revenue and unrealized recovery	137	41
Amortization of foreign currency fluctuation	12	116
Amortization of debt discount	9	8
Increase in equity in Government enterprises	(95)	(33)
	(30)	198
Investing transactions:		
Acquired/made	(356)	(671)
Redeemed/realized	336	299
Cash and equivalents required for investing	(20)	(372)
Financing transactions:		
Debt issued: foreign	888	1,110
domestic	135	516
	1,023	1,626
Debt redeemed: foreign	(828)	(686)
domestic	(431)	(137)
Payment to (from) provision for foreign currency losses	(6)	–
Increase in sinking funds	(408)	(209)
	(650)	594
Change in trust fund	(141)	109
Cash and equivalents obtained from financing	(791)	703
Change in cash and equivalents during period	(841)	529
Ending cash and equivalents	504	1,345

SCHEDULE 1

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT REPORTING ENTITY

SPECIAL FUNDS:

- Fires Prevention Fund
- Fiscal Stabilization Fund
- Holdback Accounts - Builders Liens and Contractual
- Land Titles Assurance Fund
- Manitoba Lotteries Foundation:
  - Amateur Sport
  - Community Places
  - Culture, Heritage and Recreation
  - Fitness Development
  - Multicultural Grants Advisory Council
  - Planning and Research
  - Special Health Projects
- Mining Community Reserve
- Veterinary Science Scholarship Fund
- Victims Assistance Fund

CROWN ORGANIZATIONS:

- Alcoholism Foundation of Manitoba
- * A.R.M. Industries Inc.
- * Centre Culturel Franco-Manitobain
- * Communities Economic Development Fund
- * Cooperative Loans & Loan Guarantee Board
- * Cooperative Promotion Board
- * Criminal Injuries Compensation Board
- * Crown Corporations Council
- * Deer Lodge Centre Inc.
- * Embalmers & Funeral Directors Act - Board of Administration
- * Hazardous Waste Management Corporation
- * Horse Racing Commission
- Legal Aid Services Society
- Manitoba Agricultural Credit Corporation
- Manitoba Arts Council
- * Manitoba Boxing and Wrestling Commission
- Manitoba Cancer Treatment and Research Foundation
- * Manitoba Centennial Centre Corporation
- * Manitoba Development Corporation
- * Manitoba Energy Authority
- * Manitoba Habitat Heritage Corporation
- * Manitoba Health Research Council
- Manitoba Health Services Commission
- * Manitoba Hospital Capital Financing Authority
- Manitoba Housing and Renewal Corporation
- Manitoba Properties Inc.
  - Manitoba Properties Leasing Inc.(holding company)
  - Manitoba Properties Management Inc.(holding company)
- Manitoba Research Council

SCHEDULE I
(cont'd)

- Milk Prices Review Commission
  Public Schools Finance Board
- Rehabilitation Centre for Children
  Universities Grants Commission

GOVERNMENT ENTERPRISES: (Schedule III)(note 4)

Utilities:
- Manitoba Hydro
- Manitoba Telephone System

Insurance:
- Manitoba Crop Insurance Corporation
- Manitoba Public Insurance Corporation
- Workers Compensation Board

Finance:
- Liquor Control Commission
- Manitoba Lotteries Foundation
- Manitoba Textbook Bureau

Resource Development:
- A. E. McKenzie Co. Ltd.
- Channel Area Loggers
- Leaf Rapids Town Properties Ltd.
- Manitoba Mineral Resources
- Manitoba Trading Corporation
- Manitoba Water Services Board
- Moose Lake Loggers
- Venture Manitoba Tours

NOTES:

1. Crown organizations denoted by asterisks (*) are those whose financial results are not reflected in the 1989-90 Summary Financial Statements.

2. The operations of the following are reflected through appropriations of the Operating Fund and are not considered to be financially separate organizations:
   - -Film Classification Board
   - -Human Resource Opportunity Centres
   - -Manitoba Adolescent Treatment Centre
   - -Student Aid Appeal Board
   - -Veterinary Medical Board

3. Manitoba Data Services would usually fall within the scope of the Government Reporting Entity. However, since it was sold in the 1990-91 fiscal year, it is not included. Similarly, the Manitoba Beef Commission was wound down during the 1990-91 fiscal year and is excluded.

GOVERNMENT OF THE PROVINCE OF MANITOBA
AMOUNTS RECEIVABLE
AS AT MARCH 31, 1990
(with comparative figures for 1989)

SCHEDULE II

($millions)

	1990	1989
TAXATION REVENUE:		
Retail sales tax	51	48
Motive fuel tax	6	6
Gasoline tax	10	10
Tobacco tax	4	8
Revenue Act, 1964	5	5
	76	77
INTEREST INCOME:		
Province of Manitoba sinking fund	39	31
Other investments	21	23
	60	54
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Shared cost programs	112	44
Canada Mortgage and Housing Corporation	14	17
Municipal corporations	64	65
Provinces and territories	6	8
	196	134
OTHER INCOME:		
Manitoba Lotteries Foundation	-	3
Manitoba Agricultural Credit Corporation	214	211
	214	214
	546	479

GOVERNMENT OF THE PROVINCE OF MANITOBA
GOVERNMENT ENTERPRISES
SUMMARY OF OPERATING RESULTS AND FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1990 *

SCHEDULE III

(with comparative figures for 1989)

($millions)

	UTILITIES	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 1990	TOTAL 1989
RESULTS OF OPERATIONS						
Revenues:						
From operations	1,181	648	426	46	2,301	2,131
Transfers from Province	–	7	–	–	7	23
Other	23	87	9	3	122	95
Total revenues	1,204	742	435	49	2,430	2,249
Expenses:						
From operations	827	708	265	39	1,839	1,719
Transfers to Province	–	–	177	–	177	175
Public debt	317	–	–	2	319	322
Total expenses	1,144	708	442	41	2,335	2,216
Net income (loss) for the year	60	34	(7)	8	95	33
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	236	176	13	17	442	549
Accounts receivable	171	178	6	9	364	385
Long-term investments	139	648	–	20	807	634
Fixed assets	4,733	18	8	18	4,777	4,391
Other assets	511	16	17	7	551	486
Total assets	5,790	1,036	44	71	6,941	6,445
Liabilities:						
Accounts payable and accrued liabilities	454	38	16	5	513	458
Long-term debt						
-owing to Government	2,892	100	13	20	3,025	3,020
-owing to others	2,068	535	6	4	2,613	2,305
Deferred liabilities	136	516	1	–	653	620
Total liabilities	5,550	1,189	36	29	6,804	6,403
Net assets (liabilities)	240	(153)	8	42	137	42
Adjustments and eliminations						
Permanent debt/equity financing	–	–	–	(30)	(30)	(37)
Equity (Deficit) in Government enterprises	240	(153)	8	12	107	5

* For enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

GOVERNMENT OF THE PROVINCE OF MANITOBA
ACCOUNTS PAYABLE, ACCRUED CHARGES, DEFERRED REVENUE, DEFERRED TAXES AND UNREALIZED RECOVERY
SCHEDULE IV
AS AT MARCH 31, 1990
(with comparative figures for 1989)

($ millions)

	1990	1989
Accounts payable	300	241
Accrued charges:		
Interest accrued on borrowings and trust funds	183	201
Other accrued liabilities:		
Manitoba Public Insurance Corporation	32	32
Criminal Injuries Compensation Board	20	17
Manfor Ltd. Divestiture (note 18)	10	-
Manitoba Milk Producers Marketing Board	2	2
Other	2	2
Deferred revenue	6	7
Deferred income taxes	36	30
Unrealized recovery from future redemption of preferred shares of Repap Enterprises Inc. (note 18)	78	-
	669	532

GOVERNMENT OF THE PROVINCE OF MANITOBA SCHEDULE V

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE BY CATEGORY

FOR THE YEAR ENDED MARCH 31, 1990

(with comparative figures for 1989)

($ millions)

	OPERATING FUND	SPECIAL FUNDS	CROWN ORGANIZATIONS	ELIMINATIONS	TOTAL 1990	1989
REVENUE						
Tax Revenue:						
Corporation income tax	152	–	–	–	152	201
Individual income tax	1,031	–	–	–	1,031	1,030
Retail sales tax	622	–	–	–	622	595
Fuel taxes	191	–	–	–	191	187
Liquor commission	146	–	–	–	146	150
Levy for health and education	191	–	–	–	191	199
Other taxes	413	4	–	–	417	426
Federal transfers:						
Equalization	910	–	–	–	910	863
Health and higher education	431	–	–	–	431	426
Shared cost and other	317	–	40	–	357	315
Fees and other revenue	202	63	2,539	(2,279)	525	512
TOTAL REVENUE	4,606	67	2,579	(2,279)	4,973	4,904
EXPENDITURE						
Health	1,521	1	1,428	(1,417)	1,533	1,447
Education and training	871	–	842	(677)	1,036	1,021
Family services	485	–	–	–	485	446
Economic and resource development	614	6	105	(35)	690	675
Assistance to local governments and taxpayers	379	–	–	–	379	365
Justice, administration and other government services	453	24	29	(82)	424	397
Public debt	425	–	151	(28)	548	481
Hydro rates stabilization	–	–	–	–	–	44
TOTAL EXPENDITURE	4,748	31	2,555	(2,239)	5,095	4,876
NET INCOME (EXPENDITURE)	(142)	36	24	(40)	(122)	28
Increase in equity in Government enterprises (Schedule III)					95	33
CONSOLIDATED NET INCOME (EXPENDITURE)					(27)	61

NOTE 1: Included in eliminations are valuation allowances which had been provided in the Operating Fund for certain Crown organizations consolidated herein.

NOTE 2: Revenue has been reduced by $47 million (1989 -$48 million) which represents the Municipal share of individual and corporation income taxes paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act.

GOVERNMENT OF THE PROVINCE OF MANITOBA
STATEMENT OF BORROWINGS
AS AT MARCH 31, 1990

SCHEDULE VI

(with comparative figures for 1989)

($millions)

	1990						1989
	GROSS BORROWINGS	SINKING FUNDS	INVESTMENT OFFSETS	UNAMORTIZED AMOUNTS	ADJUSTMENTS/ ELIMINATIONS	NET BORROWINGS	NET BORROWINGS
Operating fund	10,028	(1,910)	(199)	(39)	361	8,241	8,993
Crown organizations							
-Manitoba Housing and Renewal Corp.	229	(11)	-	-	11	229	232
-Manitoba Properties Inc.	372	-	-	-	(372)	-	-
	10,629	(1,921)	(199)	(39)	-	8,470	9,225

GOVERNMENT OF THE PROVINCE OF MANITOBA
NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic accounting policies which have been applied in the preparation of the Summary Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba.

A. THE REPORTING ENTITY

The financial transactions of the Government are recorded in "The Consolidated Fund". The audited financial statements of the Consolidated Fund are published in Volume 1 of the Public Accounts. The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts recorded as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Separate financial statements are prepared for the "Trust Fund" which report the activities in the various categories of trust money administered by the Government.

In order to be considered a part of the Government's Reporting Entity, an organization must be accountable for the administration of its financial affairs and resources to a minister of the Government, or directly to the Legislature, and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. For 1989-90, those special funds, Crown organizations and Government enterprises not denoted by asterisks in Schedule I have been consolidated with the Operating Fund for inclusion in the Summary Financial Statements.

Crown organizations listed in Schedule I denoted by asterisks, which ultimately comprise the total Government Reporting Entity, are scheduled to be consolidated for the March 31, 1991 Summary Financial Statements. Combined at March 31, 1990, these organizations had assets of approximately $11 million and liabilities of approximately $5 million, which would reduce the Total Excess of Liabilities over Assets and Similar Items by $6 million. Their revenues for the fiscal year totalled $22 million and their expenses $20 million, yielding a net income of $2 million.

Health and educational institutions receive most of their financial resources from voted appropriations which are recorded as expenditures. The majority of these, other than those listed in Schedule I, are required to report separately on their stewardship. They are not consolidated in these financial statements.

The financial operations of provincial Crown corporations, agencies, board and commissions not herein consolidated are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or

2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or

3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

B. BASIS OF CONSOLIDATION

Special funds and Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education, which remain on a gross basis as operating expenditures and revenue of the Operating Fund. Where the fiscal year-end of Crown organizations is not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government Reporting Entity. The financial results of enterprises are not restated to March 31 notwithstanding that their fiscal year-end may not be the same as that of the Government Reporting Entity. Inter-entity accounts and transactions are not eliminated. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule III.

C. BASIS OF ACCOUNTING FOR REVENUE AND EXPENDITURE

1. Gross Accounting Concept

Revenues and expenditures are recorded in gross amounts with the following exceptions:

a) The municipal share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expenditure by the Government Reporting Entity.

b) Refunds of revenue are treated as reductions of current year revenue.

c) Decreases in valuation allowances previously provided are treated as reductions to expenditure.

d) Recoveries of the debt servicing costs on self-supporting debt from Crown organizations not consolidated herein and from Government enterprises are recorded as a reduction of Public debt expenditure. The same treatment is also given to income earned on investments and advances.

2. Modified Accrual Accounting

The revenues and expenditures of the Government Reporting Entity are recorded on an accrual basis with exceptions noted as follows:

a) **Income From Canada-Manitoba Fiscal Arrangements** - This income is recorded on a cash basis with three exceptions:

i) revenues received in advance of when they are earned are deferred to the appropriate fiscal year;

ii) money received in advance, relating to projects for which expenditures are to be made in more than one fiscal year, is deemed to be revenue in each fiscal year in proportion to the related expenditure made in the respective fiscal year; and

iii) the accounts are kept open until June 30 to reflect any adjustments regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements.

b) **Fees and Other Revenue** - Amounts receivable from all levels of government, as well as amounts received

in April from agents for provincially collected taxes pertaining to the year just ended, are recorded as revenue receivable. Otherwise, Fees and other revenue are recorded on a cash basis.

c) **Salaries and Wages** - Salaries and wages are recorded as expenditures in the year in which they are paid. No liability or expenditure is recorded for salaries earned but not paid at year end, or for salary related benefits such as vacation earnings.

d) **Pension** - The annual cost recorded by the Government Reporting Entity, except for the Manitoba Arts Council, the Manitoba Research Council and certain Government enterprises, is its share of pension paid to retired employees, teachers and Members of the Legislative Assembly.

The Government Reporting Entity does not fully record its liability for the annual cost of pension benefits earned by its employees, teachers and Members of the Legislative Assembly.

e) **Capital Assets and Inventories** - Expenditures for the acquisition and/or construction of fixed assets and the acquisition of inventories are not considered to differ from any other service to the public and accordingly are treated as an expenditure.

D. BASIS OF ACCOUNTING FOR ASSETS AND LIABILITIES

1. Except for deferred revenue, deferred income taxes and unrealized recoveries, the assets and liabilities reported in the financial statements are financial claims. The assets are claims by the Government Reporting Entity on other parties and encompass the net equity interest in the operation of consolidated Government enterprises. The liabilities are claims by other parties on the Government.

   Deferred revenue consists of money received from taxation and shared cost agreements which relate to future years, as well as fees from debt transactions to be amortized over the remaining life of the debt. This deferred revenue will be recorded in the appropriate year.

   Deferred income taxes are amounts calculated as being income taxes payable except that certain allowances and deductions under the Income Tax Act defer the tax liability to future periods. Manitoba Properties Inc. has recorded Deferred income taxes which are available to cover future tax liabilities.

   Unrealized recoveries are in relation to the expected redemption value of the Repap Enterprises Inc. shares. Redemption of the shares is mainly dependent on the future profitability of Manfor Ltd. and the fulfillment of other conditions, well into the future.

2. Capital assets and inventories do not represent financial claims on others. Therefore they are not reported as assets at fiscal year end.

3. Loans, advances and long-term investments held by the Government Reporting Entity are subject to annual valuation.

   A valuation allowance is provided to reflect decreases in the value of loans, advances and long-term investments and is adjusted annually for changes that have occurred in the estimated realizable value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures.

   Loans, advances or long-term investments may be written-down in the accounts of the Government Reporting Entity, pursuant to authority provided under the Financial Administration Act. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year. Where an investment has been partially written-down to reflect a permanent decline in its realizable value, it is carried at its decreased value. Otherwise it is recorded at cost.

4. Investments included in Cash and equivalents and the Province of Manitoba Sinking fund are recorded at cost adjusted for amortization of investment premium or discount. Any premium or discount incurred at the time of purchase is amortized annually to public debt expense over the life of the investment. The investments included in the remaining sinking funds are shown at cost and do not reflect any amortization of investment premium or discount.

   Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used.

   Expenses and other transaction charges incurred on the purchase of investments during the year are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   The year end investment translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized foreign currency fluctuation account and are amortized annually to public debt expense over the life of the investment.

5. Borrowings, comprised of bonds, debentures and other long-term debt issued and payable in Canadian currency, are recorded at the par value of the issue. Discounts or premiums, as well as commissions incurred at the time of the issue of the debt, are amortized annually to public debt expense over the life of the debt. The unamortized portion is deducted from the par value of the debt.

   Fees received at the time of arranging debt transactions, in respect of options or warrants, are reflected as deferred revenue and amortized annually as a credit to public debt expense over the life of the debt. The unamortized portion is included in Deferred revenue.

   Expenses and other transaction charges, such as legal fees, printing and registration, incurred during the year on the issue of debt are charged to public debt expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

   Borrowings issued and payable in foreign currencies are recorded at the Canadian dollar equivalent of the par value based on the exchange rate in effect at March 31, unless the rate of exchange or a fixed amount has been negotiated through a currency exchange agreement or other arrangement, in which case that rate or amount is used.

   The year end translation adjustments reflecting the foreign exchange fluctuation from the value at the issue date are recorded through the Unamortized foreign currency fluctuation account and are amortized annually to public debt expense over the life of the debt issue.

   Where an issue of debt in a foreign currency is called for redemption prior to maturity and refinanced with another issue of debt, the Canadian dollar equivalent cost of the original debt is translated at the exchange rate in effect at the date of redemption. The resulting unrecognized foreign currency fluctuation is amortized to public debt expense over the term of the first replacement issue or the remaining term of the original issue whichever is less. However, if the remaining term of the original issue is one year or less, the fluctuation is fully expensed in the year of redemption.

   On maturity, any unrecognized foreign exchange gain/loss, being the difference between the recorded par value in Canadian currency and the required payment, is reflected in public debt expense.

   Proceeds of debt raised for the purpose of retiring a specific debt issue on a later date and which are invested for a short term are valued in accordance with the accounting policy on Borrowings. Holdings of unmatured provincial debt issues purchased on the market for cancellation are valued in accordance with the policy on investments. Both these investment categories are reflected as reductions to Borrowings.

Sinking funds are maintained in accordance with legal requirements of the debt instruments and the Financial Administration Act and are reflected as a reduction of Borrowings.

E. GUARANTEED AND INDIRECT LIABILITIES

In addition to having direct debt, the Government acts as a guarantor of securities issued by various other entities. The debt issued by Crown organizations and Government enterprises and guaranteed by the Government is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund.

Legislation requires the maintenance of sinking funds for the retirement of the debt of most Crown organizations and Government enterprises. These sinking funds are held in Trust by the Minister of Finance. The Crown organization or Government enterprise to whom the debt applies make annual contributions to the Sinking fund.

Contingent liabilities that result from other financial activities of the Government Reporting Entity are reported in the notes to the summary financial statements.

2. VALUATION ALLOWANCES

A. CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES - LOANS, ADVANCES AND LONG-TERM INVESTMENTS

Valuation allowances are provided only for those Crown organizations which have not been consolidated in the Summary Financial Statements and for Government enterprises, and are determined as follows:

1. **Operating Deficits**
   The valuation allowance is based on the financial results applicable to the most recent fiscal year completed prior to April 1. Where an assessment of the accumulated deficit indicates a prospect for recovery from future operations, the amount of the valuation allowance is adjusted accordingly.

2. **Non-Recovery Of Capital Investment**
   A valuation allowance may be provided where there is reasonable evidence that the Province's investment will not be realized.

If the Government has more than one type of investment in an organization or enterprise (eg. common shares, preferred shares and debentures), the valuation allowance is assigned against the investments in order of priority on liquidation.

B. OTHER LOANS AND ADVANCES

The valuation allowance is used to provide for the estimated amounts not recoverable under a Government loan or support program. The valuation allowance for doubtful accounts that has been established for that loan or support program is recorded by means of a valuation allowance placed against the loan or advance used to fund the program. Increases to the valuation allowance are recorded as an expenditure regardless of the timing of the write-off of the uncollectible accounts, such write-off being applied directly to the valuation allowance.

C. OTHER LONG-TERM INVESTMENTS

The valuation allowance is used to record losses, that are other than temporary declines, in the value of the Government's investments in other than Crown organizations and Government enterprises. The valuation allowance is based on an annual valuation of the investment.

3. LOANS AND ADVANCES

The following amounts include loans and advances to Crown organizations which have not been consolidated in these Summary Financial Statements and to Government enterprises. The Sinking Funds provided by the entity for repayment of the debt issued by the Province to fund the advances are deducted from the advances.

	($ millions)			
	Crown Organizations and Government Enterprises	Other	1990 Total	1989 Total
Loan/advance	3,514	265	3,779	3,868
Less: Sinking Funds	182	-	182	163
Valuation Allowance	3	5	8	26
Net	3,329	260	3,589	3,679

4. EQUITY IN GOVERNMENT ENTERPRISES

A summary of the Operating Results and Financial Position for Government Enterprises are displayed in Schedule III. The composition of the four categories is described in Schedule I. The category definitions are as follows:

Utilities:
Enterprises providing public utilities.

Insurance:
Enterprises which provide insurance coverage services to the public for a fee.

Finance:
Enterprises which provide regulatory control and are revenue generating, or enterprises which use economy of scale to deliver goods to non-Government clients.

Resource Development:
Enterprises charged with the development of various industries and /or the delivery of various products which will assist the Provincial economy.

Included in the Equity in Government enterprises are amounts which are restricted for use and thereby not available to discharge Government liabilities or to finance other Government programs:

	($ millions)	
	1990	1989
Manitoba Telephone System	123	87
Manitoba Hydro	116	92
Manitoba Public Insurance Corporation	31	11
Manitoba Crop Insurance Corporation	3	7
Manitoba Water Services Board	1	-
	274	197

5. OTHER LONG-TERM INVESTMENTS

The following amounts include investments in Crown organizations which have not been consolidated in these Summary Financial Statements and in Government enterprises:

	($ millions)			
	Crown Organizations and Government Enterprises	Other	1990 Total	1989 Total
Shares:				
Common	22	5	27	47
Preferred	2	78	80	109
Debentures	3	-	3	3
Profit sharing agreements	-	11	11	11
	27	94	121	170
Valuation allowance	6	14	20	146
Net	21	80	101	24

6. TRUST FUNDS

Included in the Consolidated Statement of Financial Position is an amount owing to the Trust Fund which primarily represents surplus cash of Crown organizations and Government enterprises on deposit with the Minister of Finance for investment but not specifically invested. Such deposits are pooled with other available funds of the Government for investment purposes and are accorded a market rate of interest. Also included are Trusts established and maintained by Crown organizations which have been consolidated in these Summary Financial Statements.

The assets and liabilities of the combined Trust Funds as at March 31st are as follows:

	($ millions)	
	1990	1989
ASSETS		
Amounts due from Operating Fund	649	790
Cash and investments	815	688
Total Trust Assets	**1,464**	**1,478**
LIABILITIES		
Trust Fund balances-Consolidated Fund	1,432	1,451
Trust Fund balances-Crown organizations	32	27
Total Trust Liabilities	**1,464**	**1,478**

In addition to the above Trust Funds, various departments and agencies hold cash and securities for which the Government reporting entity's responsibility is custodial in nature. The custodial trust amount reported at March 31, 1990 was $713 million (1989-$646 million) and includes the estates and trusts under the administration of the Public Trustee of Manitoba.

7. BORROWINGS

A summary of borrowings is displayed in Schedule VI. All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered into for settlement after the fiscal year-end.

Money is allocated annually to the Province of Manitoba sinking funds on the following basis:

A. a sum equal to 3% of the aggregate amount of debt related to general government programs, in Canadian Dollars converted at the date of issue, outstanding at the end of the preceding fiscal year; and
B. all earnings derived from investing the sinking fund.

The Manitoba Hydro-Electric Board and the Manitoba Telephone System make annual contributions to their respective sinking funds for the orderly retirement of their debt based on 1% of debt and Provincial advances outstanding at the preceding fiscal year end plus 4% of the sinking fund balance.

In addition, all principal repayments of advances by other agencies are allocated to the sinking fund and will be utilized to retire other agencies' debt as such debt matures.

8. PROVISION FOR FOREIGN CURRENCY FLUCTUATION ON MANITOBA HYDRO DEBT

The Province issues provincial securities to raise funds for Manitoba Hydro. In addition, the Province guarantees debt which Manitoba Hydro issues in its own name. Until March 31, 1987, pursuant to the Energy Rate Stabilization Act, the Province was responsible for the currency fluctuation on all foreign debt issued for Manitoba Hydro purposes.

The Energy Rate Stabilization Act was amended effective April 1, 1987 making Manitoba Hydro responsible for the fluctuation on all of its foreign currency debt issued on or after that date. Manitoba Hydro was also made responsible for the fluctuation on its U.S. dollar denominated debt issued prior to April 1, 1987, except to the extent already provided by the Province to March 31, 1987.

Effective April 1, 1989 the Act was further amended to transfer responsibility to Manitoba Hydro for the remaining foreign currency risk associated with the debt issued prior to April 1, 1987. At March 31, 1989, using the foreign exchange rates in effect on that date, the Province adjusted its provision account to cover the total fluctuation in the value of this foreign debt.

At maturity of any foreign debt issue for Manitoba Hydro purposes, be it U.S. dollar denominated or other foreign currency, the Province is responsible for the lesser of the currency fluctuation on the maturing debt or the amount remaining in the provision account for that particular issue.

The provision account balance of $266 million at March 31, 1990 (1989-$286 million) represents the limit of the Province's liability for foreign exchange fluctuation on both U.S. dollar denominated debt and other foreign debt for Manitoba Hydro purposes.

9. UNAMORTIZED FOREIGN CURRENCY FLUCTUATION

This balance represents the unamortized portion of unrealized foreign currency gains or losses on the conversion of the assets and liabilities of the Government to Canadian dollars at March 31. It also includes the unamortized portion of realized foreign currency gains or losses on the conversion of the foreign currency debt prior to maturity using the rates in effect at the time of the call.

10. SHARE DEVALUATION - GOVERNMENT ENTERPRISES

The Board of Directors of A.E. McKenzie Co. Ltd. and the shareholder of the Class B preferred shares, Manitoba Development Corporation, approved reduction of the redemption value of the Class B preferred shares from $1.00 per share to $0.072 per share on October 31, 1989. The share devaluation, which resulted in a reduction of $7 million in A.E. McKenzie's deficit, was reflected through the company's retained earnings (deficit) account. This action is consistent with the previous adjustment to the valuation of these shares reflected in the Consolidated Fund as at March 31, 1987.

11. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, was assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. These securities are therefore included in this category because they do not represent a claim on other parties.

The estimates of expenditure provide an annual appropriation in the Operating Fund to cover the principal and interest costs of these debentures. The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment at maturity of the debt assumed from the Authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

12. GUARANTEED AND INDIRECT LIABILITIES

The following comprises debt issued by Crown organizations not consolidated herein and by Government enterprises, which is guaranteed by the Government as at March 31st:

	($ millions) 1990	1989
Debt of Provincial utilities, cities and towns	1,733	1,604
Debt serviced in whole or in part from the Consolidated Fund	10	10
	1,743	1,614
Less: Applicable sinking funds	290	277
	1,453	1,337

A portion of the foreign currency fluctuation on the guaranteed debt included above has been provided for in the Provision for foreign currency fluctuation on Manitoba Hydro Debt.

13. OTHER ACCRUED LIABILITIES

The Government Reporting Entity has accrued a liability at March 31st for losses or program expenditures in order to recognize the Province's responsibility to fund these amounts when they become payable:

	($ millions) 1990	1989
Manitoba Public Insurance Corporation - Reinsurance assumed losses	32	32
Criminal Injuries Compensation Board - Unfunded future costs of compensation awards	20	17
Manfor Ltd. Divestiture	10	-
Manitoba Milk Producers Marketing Board	2	2
Other	2	2
	66	53

14. FINANCIAL COMMITMENTS

The Government Reporting Entity has entered into long-term financial arrangements wherein indebtedness has been issued that is not guaranteed by the Government, but the funds required for the payment of principal and interest will be either fully or partially provided from appropriations of the Operating Fund. The Government Reporting Entity has also made future commitments against appropriations under long-term contracts that cover the acquisition and/or rental of physical assets. These financial commitments as at March 31st are as follows:

	($ millions) 1990	1989
LONG-TERM FINANCIAL ARRANGEMENTS:		
Hospitals and Personal Care Homes	462	429
Public Schools	285	272
Repap Pulp and Paper Inc. (Divestiture of Manfor Ltd.)	150	-
Brandon University	3	3
Manitoba Water Services Board	2	2
	902	**706**
FUTURE COMMITMENTS:		
Acquisition of physical assets	1,164	1,336
Rental of physical assets	74	65
Housing construction and approved mortgage applications	33	58
Future billings on outstanding legal aid certificates	7	6
Outstanding orders for merchandise	3	3
	1,281	**1,468**
	2,183	**2,174**

In addition to the approved outstanding debt for Hospitals and Personal Care Homes, lines of credit up to $82.6 million (1989-$64.4 million) have been approved to finance capital projects currently in process. On completion of these projects, the borrowings will be converted to long-term debt.

15. CONTINGENCIES

The Government has provided guarantees for the following and accordingly has a contingent liability in the event of default:

	($ millions) Maximum	Amount Outstanding March 31 1990	March 31 1989
Province of Manitoba			
Mortgages	1	1	1
Promissory notes	175	-	3
Bank loans and lines of credit	38	21	22
	214	**22**	**26**
Crown Organizations			
Mortgages		17	13
Guaranteed operating loans		3	2
		20	**15**

The Government has provided a guarantee to the purchaser of Flyer Industries Ltd. covering all of the obligations of Manitoba Development Corporation arising out of the sale of Flyer Industries Ltd. including $53 million of performance bonds on contracts for the supply of buses to various transit organizations.

The Government Reporting Entity has been named in approximately 275 legal actions, outstanding at March 31, 1990, which may result in future liabilities. As well, there are approximately 100 other claims outstanding in respect of damages to persons and property and like items. No provision has been made at March 31, 1990 as the outcome of these actions and claims is uncertain.

16. PENSION LIABILITY

The Government is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government agencies for their employees) and to retired teachers. Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Government to the Civil Service Superannuation Fund or to the Teachers' Retirement Allowances Fund. The reserves which are presently held in these Funds represent only the employees' obligation towards the total pension liability.

An actuarial valuation and report of the Government's liability to the Civil Service Superannuation Fund was determined as at December 31, 1986. The report also provided a formula to update the liability on an annual basis. In accordance with the formula adopted by the actuary, the Government's actuarial liability to the Civil Service Superannuation Fund has been calculated on a non-indexed basis at approximately $457 million at March 31, 1990 (1989-approximately $406 million). The liability of the Province to the Teachers' Retirement Allowances Fund has not been established by an actuarial valuation. The reserve which is indexed and held in the Teachers' Retirement Allowances Fund, representing the employees' obligation towards the total pension liability, amounted to $675 million as at December 31, 1989 (1988-$597 million). The Province's liability should approximate these amounts.

In addition, the Government is required to pay all of the pension disbursements made to retired Members of the Legislative Assembly (MLA's) in accordance with the Legislative Assembly Act. Members' contributions, as deducted from their renumeration, are treated as revenue of the Government. An actuarial valuation at December 31, 1986 determined the Government's liability to be $19 million. The report did not include a formula to update the liability annually, however, a revised report is expected to be available for disclosure in the 1990-91 Public Accounts.

The unrecorded pension liability for the Government Reporting Entity is as follows:

	($ millions) 1990	1989
Civil Service Superannuation Fund:		
Operating Fund	457	406
Crown Organizations	30	26
Government Enterprises	141	149
M.L.A.'s (as at December 31, 1986)	19	19
Teachers Retirement Allowances Fund	675	597
TOTAL	**1,322**	**1,197**

17. LEGISLATIVE AUTHORITY FOR BORROWING

Order-in-council 1138/82 authorizes the Minister of Finance to borrow money by the sale of promissory notes or by bank line of credit up to an aggregate amount not exceeding $350 million at any one time.

Limits established by legislation for borrowing funds are reported here along with information regarding any non-compliance with these limits that may have occurred during the fiscal year.

	($ millions)	
	1990 Appropriation Acts	**1989 Loan Acts**
Incremental Non-Lapsing Authority Provided in 1989 Acts	800	800
Amount Used During the Fiscal Year Ended March 31, 1990	38	225
Available for Future Years	**762**	**575**
Unused Borrowing Authority From Prior Years	-	-
Unused Borrowing Authority at March 31, 1990	**762**	**575**

18. MANFOR LTD. DIVESTITURE

The Government Reporting Entity's investment in Manfor Ltd. was sold to Repap Pulp and Paper Inc. on May 4, 1989, for a consideration of $131.6 million, consisting of $10 million in cash, $31.6 million in Class MA shares and $90 million in Class MB shares in Repap Pulp and Paper Inc. The $10 million cash has been set aside to cover the estimated costs associated with the divestiture, which consist primarily of an unfunded liability by Manfor Ltd. to the Workers Compensation Board and the costs of an environmental clean-up program at the Manfor site.

A development incentive included in the sale agreement gives Repap Pulp and Paper Inc. the right to re-acquire one-half of the Class MB shares, which have a stated value of $45 million, for $1 million. This $44 million development incentive is subject to meeting certain deadlines established in the agreement and, if exercised, will reduce the redemption value of the shares received by the Province accordingly. In view of this, the Repap shares received on divestiture have been recorded in the Government Reporting Entity's accounts at $77.6 million.

The recorded value of the Government Reporting Entity's investment in Manfor Ltd. at the date of divestiture was $127.1 million, which was fully offset by an equivalent valuation allowance established in the 1987-88 fiscal year. After divestiture took place, the value of the Manfor Ltd. investment was written-down, utilizing the valuation allowance, to coincide with the estimated redemption proceeds from the Repap Pulp and Paper Inc. shares received in exchange for the Manfor Ltd. shares. This left a balance of $77.6 million in the valuation allowance, which amount is equivalent to the expected redemption value of the Repap Pulp and Paper Inc. shares. Although the accounting policies of the Government Reporting Entity allow for the recovery of this balance as a reduction of 1989-90 expenditures, it has been determined that recovery will be deferred until share redemption occurs. Accordingly, an Unrealized Recovery account has been created. Redemption of the shares is mainly dependent on the future profitability of Manfor Ltd. and the fulfilment of other conditions, well into the future.

Subsequent to the date of sale, the Class MA shares were exchanged for 316,397 Series D Preferred Shares of Repap Enterprises Inc. and the Class MB shares for 900,000 Series E Preferred Shares of Repap Enterprises Inc. The shares received in exchange have the same rights, privileges, restrictions and conditions as attached to the MA and MB shares.

19. SUBSEQUENT EVENTS

A. The Government's interest in Manitoba Data Services was sold to STM Systems Corp. in August of 1990.

B. On May 11, 1990 the Government and Manitoba Hydro entered into an agreement which provides that the settlement amount in respect of each United States dollar denominated debt issue governed by The Energy Rate Stabilization Act be calculated using a currency exchange rate of $1.21. This fixes the Province's liability in relation to foreign exchange fluctuations on these debt issues at $183 million.

20. COMPARATIVE FIGURES

Financial statement figures for 1989 have been developed on a basis consistent with the presentation adopted for 1990.